David Burda:

Welcome to the 4sight Health Roundup podcast, 4sight Health's podcast series for healthcare revolutionaries, outcomes matter customers count and value rules. Hello again, everyone. This is Dave Burda, news editor at 4sight Health. It is Thursday, November 20th. I was off last week, and the MAGA led Republicans somehow got dumber as they try to dismantle the A CA, just because Obama signed it into law, isn't giving people a means tested payment to buy health insurance. A lot like giving them a means tested tax credit to buy health insurance. The only difference is you get the payment now instead of later. Later means you have to prove you bought insurance and you didn't exceed the income threshold. Now means you can lie about both. Oh, I get it. Nevermind. I should have stayed on vacation, but I didn't. And that's a good thing because I get to talk about venture capital and academic medical centers with Dave Johnson, founder and CEO 4sight Health, and Julie Murchinson, partner at Transformation Capital. Hi, Dave. Hi, Julie. How you two doing this morning, Dave?

David W. Johnson:

I'm dealing with the political whiplash from the increasingly short duration of news cycles. I mean, in the last couple of weeks, we've gone from massive Democratic party victories to Senate Democrats paving in on the longest government shutdown in history to the sudden release of the Epstein files. What's next?

Burda:

<Laugh>? Well wait an hour and we'll find out. Right? I think that's it exactly. Yeah. That's great. Julie, how are you?

Julie Murchinson:

I'm well. I'm on my last trip before Thanksgiving with 50 something CFOs in Laguna Beach. Dave, you know, this crew. Yeah. And I have to

say, <laugh>, you're starting to, you're starting to get some some hints of action and frustration and, you know, the, the, there's, there is a back up against the wall feeling here.

Burda:

Yeah. Hard to keep that smile up all the time, right? <Laugh>, yeah.

Johnson:

<Laugh>, when all else fails, do something.

Burda:

There you go. There you go. Now, before we talk about VC and AMCs, what am I missing about how the GOP wants to replace the ACA? Dave, is there some nuance here that I'm not getting?

Johnson:

Well, you're being way, way too logical. Dave-evidently discussing Republican led healthcare reform is a type of fantasy literature. I've been waiting since the beginning of the first Trump term for a comprehensive, cohesive healthcare reform proposal. Remember, repeal and replace <laugh>, right. So here's the problem. Yeah. Obamacare was modified Romneycare, it was built on ideas from Republican think tanks like the Heritage Foundation. So you remember individual mandates, health insurance exchanges, risk corridor protections for those providing insurance. You know, you take away those components and the policy choices distilled down to single payer and free for all neither of which work for Republicans. So I've never understood this why the Republicans haven't said, you know, Obamacare stole idea our ideas and screwed it up. Hire us and we'll fix it. I just don't understand.

Burda:

Yeah, yeah. Yeah. It's all politics. Thanks, Dave. Julie, if I sent you $2,000 to buy health insurance, would you?

Murchinson:

<Laugh>? Yeah, I don't know. I all, all I'm gonna say is I feel like we were having this conversation 20 years ago when the HSA was created. And, you know, we were talking about creating healthcare consumers. And Dave, this is when transparency started to become a thing and dah, dah, dah. So, so these are not new ideas, right?

Are we ready for them? And is this the answer? I don't know. I don't trust that most people would use that money that way, Dave. That's for sure.

Burda:

Yeah. Yeah. I agree. I know people back in my college days who took out student loans that they didn't need only to invest the money and keep the difference between what they made in the market and what they paid an interest. And that shrank the pool of money available for other kids who really did need loans to go to school. So maybe that was my first experience with venture capital, and I didn't even realize it until now. There you go. And there's your transition. Earlier this month, GMA internal Medicine published a short research letter on venture capital investments in healthcare companies by academic medical centers. There were 144 AMCs in the study in the was 2014 through 2024. Here are some of the top line findings from the study. 110 of the 144 AMCs are about 76%, made at least one investment. Over that 11 year period, there were a total of 880 investments in 693 healthcare companies. The total amount of money invested was $24.2 billion. The median investment per company was $12 million. The top three types of companies attracting VC dollars were pharmaceutical and biopharmaceutical research, health information technology, and software, and medical and surgical devices. Last on the list was medical education and training. SAD trombone. JAMA also published an invited commentary on the study by three unaffiliated experts. They said The challenge for AMCs is investing in ways that a benefit society, B, turn a

profit, and C, minimize the loss when what they invested in goes south. I'm paraphrasing there. Dave, is this the right role for academic medical centers? And if you ran an AMC, how do you make sure your money ultimately is benefiting society?

Johnson:

<Laugh> Dave, I'm still stuck on your student loan experience from from the eighties. What you really learned about wasn't venture capital, it was arbitrage.

Burda:

Ah, okay. <Laugh>.

Johnson:

My first lesson in that was when I was at, at Harvard for graduate school in the early eighties. They didn't make us pay tuition until the last day of the term. So I took all my tuition money, and put it in the money market fund. And you remember interest rates in those days were high single, even double digits and made a few hundred bucks and then paid off my bill at the end of the term. And Harvard eventually figured that out. But that's arbitrage, man. Wow. Okay. But I digress. You know, when we're talking about AMCs and venture capital, do you really believe these organizations are nonprofit? Oh my goodness. When I was on the visiting committee of Harvard Medical School in the early two thousands, only 8% of the schools' budget went to medical education. The other 92%, 92% funded its medical research enterprise. Most of the focus at that time, and obviously still today centered on NIH grants, how big, how to optimize when individual researchers broke even. I gotta tell you, Harvard Medical School played that game of overhead reimbursement from the government for research grants like a Stradivarius. I mean, I think they had the highest percentage of recovery in the country. And that led to all kinds of games about how to get more NIH funding, how to push more of the administrative costs in the

medical school and so on. Other things we talked about were, were competition of what Novartis had moved into Cambridge whether Harvard should have its own CRO, how to monetize the school's brand and intellectual property. Do those sound like discussions that benefit broader society? So what's happened now in the last you know, several years and the study gets at is we now have venture capital entering into the equation. And that's coming now at a time when NIH funding is being cut and redirected. But I gotta tell you, it's, it's hard not to be cynical. The pioneering work of researchers, medical researchers, like those who developed mRNA technology working for decades in relative obscurity to advance broader societal interests, is the exception rather than the rule. As the letter accompanying the research study points out the JAMA letter. Most of the A-M-C-V-C activity goes to support research into curbing orphan diseases. You also mentioned in the main report the emphasis on pharmaceutical surgical devices and health it driven solutions probably related to the first two categories. Pharma and surgical devices. You know, that's not really surprising given the return parameters baked into venture capital. But as the report details, very little VC funded research goes into initiatives with broad societal benefits things like vaccines, antibiotics, improved healthcare delivery, medical education, like you mentioned, Dave. So just like so much in the broader healthcare ecosystem, there's an industrial complex within medical research that is deeply entrenched and works for its own benefit at the expense of greater society. It's gonna be very hard to fix, but we, we do have to fix it. So I'm gonna end here just by saying let's acknowledge these realities and not get overly-sentimental about AMCs academic medicine in all its phases, education, research, clinical care requires a major overhaul and let's get to it.

Burda:

Getting back to your earlier point, I remember in the early eighties, I turned down a certificate of deposit at 13% annual interest rate, and I think the school loan interest rate was 3%. So there you go.

Johnson:
Arbitrage. Dave,

Burda:
I missed out. Thanks, Dave. Julie, any questions for Dave?

Murchinson:
Yeah. Dave, so this, you could view this as a rhetorical question or a serious question. I'm actually trying to ask it seriously.

Burda:
<Laugh>. Okay.

Murchinson:
Just to prep it. But what do you think is more innovative AMCs actually building new specialty centered buildings or investing in innovative companies that align with this mission? Seriously,

Johnson:
Seriously? <Laugh>. Oh man. Julie, I, I'm, I'm having a hard time not thinking about it rhetorically.
Murchinson:
I know.

Johnson:
Because where I start from is, what's the underlying mission? When you say aligned with mission, what's, what's the mission they're, they're trying to fulfill? And my sense is that both approaches investing in centers and investing in companies through venture capital or some other means, overweight toward high cost treatments that generate outsized profits. Not the strategies that will generate greatest value to

society. You know, as measured by things we talk about all the time better health outcomes, lower costs, more engaged consumers managing their health and healthcare jobs to be done. So for me, the answer to your question is, is not whether one approach or the other is more virtuous. It's the underlying motivations driving both types of investments. But if you force me to choose I'd probably go for centers over venture capital.

Burda:

Hmm mm-hmm <affirmative>. Interesting. That, that's great. Thanks, Dave.

Murchinson:

That is interesting.

Burda:

Julie, you play in this world. How does the involvement by AMCs affect the market and how should AMCs strike that right? Balance between mission and return on investment?

Murchinson:

Well, I mean, so many health systems have made strategic venture investment part of their strategy, you know, for a lot of reasons. But to, I look at it as you're reaping the benefits of the products that you're pouring a lot of money into to adopt. So in service, it can be a smart strategy as long as the health system, I mean, this is probably a very biased opinion, but has a strong super networked investor to get the right view of what they should be investing in and the ability to do so. And they focus their efforts on their products that they know work for them and other systems like this is, this is a game of driving success and reaping the benefits of it, right? So, I mean, if other systems are doing this, why shouldn't AMCs do this? These systems need money just like any other system, and maybe more, given the dynamics that Dave talked

about with research funding. And, you know, while any system can create tech commercialized internal IP, AMCs are probably the best PO position to do this because of their research efforts. So, I mean, Chris Coran led the pack on this, creating that machine at Cleveland Clinic, and, you know, I think kind of moving that machine to MGBB maie and while they initially focus more on life science, you're now seeing AMCs do what other systems are doing, creating IP and digital technology and AI. And that was one strategy to commercialize from the inside out. Honestly, on the life science side, the decrease in funding that you talked about, Dave you know, definitely cries out for greater private funding. So maybe these are becoming kind of mini pharma companies. You know, one of the companies I worked for early in my career was a spin out from Penn that was actually on the digital side. You know, there was research going on in business school that came up with some IP around algorithms, and they spun out a company around it. I mean, this has been going on for a very long time in a bunch of different ways. And you could look at some of these as different funds from the VC funding activity, but I think it's kind of the same thing. You're enabling commercialization for effectively upside, and you're investing it in some way, shape, or form. So this, so this whole thing, we're, we're really talking not about that kind of inside out, but more investing in third party solutions. You know, the Cleveland Clinics and the Mayos and those are doing that as well. I see the world through the digital lens, and to be honest more broadly, and I I assume this is affecting, is the same for AMCs. I haven't tried to segment this kind of anecdotal observation over the last year, but I think all these systems are pulling back, to be honest, the belt tightening that's going on at the macro is definitely limiting. I think the thinking around this kind of investment, those investments are, they feel limited to more about companies that, where the systems are actually adopting those solutions. So as opposed to just like broad brush I think actually frankly, the Epic product expansion announcements have driven some retraction in, you know, systems are saying, why would I, if I'm not gonna adopt this, this, you know, small point solution because I'm going to put all my eggs in the other basket,

then, you know, I'm not gonna invest in it. So that's naturally pulling investment back. And I think, you know, instead of investing to drive revenue in the way that they had been, you're seeing a lot more joint venture activity to drive revenue and those kinds of investments, which I think feels much more operational than the kinds of investments they're talking about here with amc. So, I dunno, I think we're actually in a, we're, you know, these reports were done in a time when maybe there was more of a heyday of activity. Now we're kind of retrenching.

Burda:

Interesting to see what kind of risk tolerance AMCs have, right?

Thanks, Julie. Dave, any questions for Julie?

Johnson:

Is there any material difference between the VC activities of publicly owned and privately owned AMCs? Is there, and, and, and secondly should there be?

Murchinson:

Well, when I think about AMCs and those two types, Dave, I think really to me it's about governance and what their responsibilities are, right? One is probably more heavily focused on having public funds and having to actually really think about what their responsibilities are around what's the right investment strategy, what's the risk tolerance. So it comes, you know, that translates into incentives and, and definitely into the need to disclose what they're doing to the public, right? So, you know, public AMCs, they're, they have to answer these public shareholders. So, you know, those shareholders want predictable earnings, and they may have expectations around what that money is getting them. That is maybe, I don't wanna say it's more progressive, Dave, but you know, those, those AMCs probably are thinking about, like, how do they return benefit to the community? How do they return

benefit to the the future of that community or the potential for that community. So maybe those AMCs that are managing public funds need to be thinking about what is the right thing to try to accomplish for those funds, or they come from the state, or, or where they're coming from. And I, I have to think that the risk tolerance is super different. So those kinds of AMCs might be investing in more fund to fund vehicles instead of making direct investments in specific companies. And they might be choosing funds based on, you know, a fund strategy. Like there are funds for everything today. I mean, if you want a strategy for, you know funds that invest in women only, you know, founded companies, you can find one in some sort of, I mean, I know we're not allowed to say DEI, <laugh>, but, you know, DEI led companies, you can find them, you can find 'em across any function. And I mean, so you could develop a whole fund to fund strategy that really makes you feel like you're decreasing your, your risk and you're accomplishing something by funding certain types of companies. The Cleveland Clinics of the world can take a much more direct strategy and actually invest in things that are operationally aligned with what they're trying to accomplish as a system. So I think they can take pretty different approaches, and they probably should, of course, because one is to more public money, it's public funds, it's, it's like what we all care about, right?

Burda:

As a patient of an AMC, I'd wanna know where my cut is, right? <Laugh>, or am I, or am I the only one doing this for duty and humanity, right? Great discussion. Let's talk about other big healthcare news that happened this week, Julie. What else happened this week that we should know about?

Murchinson:

Well, speaking of AMCs, I wanted to highlight the fact that UCSF announced that they're going to go into a big enterprise partnership with chat GPT in 2026. So, you know, as the Bay Area is want to do, you see

big tech getting in bed with AMCs pretty readily, and I think, you know, you're starting to see, this is, to me, watching open AI start to then get into the same role of a Google or Microsoft or anyone else who has started to work with enterprises.

Burda:

Thanks, Julie. Dave, what's your big story of the week?

Johnson:

You know, that I consistently say at better buying of health insurance products by self-insured employers will be a force that will drive more change supply, demand dynamics, positive change in healthcare, supply demand dynamics than anything else. Along those lines, Cigna, this week, announced a new product called Clearity, which is a new copay only health plan aimed at improving transparency and predictability by eliminating deductibles and co-insurance. It's, it's for employers and they have five tiers. So you don't have to necessarily compromise the existing network. And I just think these types of programs that push more choice to individuals are gonna be, become increasingly part of the health insurance landscape and have an impact on, on spending. So way to go Cigna

Burda:

Oh to be a insurance company, actuary. That's the future. <Laugh>. Okay. <Laugh>,

Murchinson:

That sounds exciting. <Laugh>.

Burda:

Oh, thanks David. Thanks, Julie. That is all the time we have for today. If you'd like to learn more about the topics we discussed on today's show, please visit our website at 4sighthealth.com. You also can

subscribe to the roundup on Spotify, Apple Podcast, YouTube, or wherever you listen to your favorite podcasts. Don't miss another segment of the best 20 minutes in healthcare. Thanks for listening. I'm Dave Burda for 4sight Health.